

Friedmann

EXHIBIT I

In The Matter Of:

In Re Sears

Holdings

Jeff Butz

June 21, 2019



Min-U-Script® with Word Index

1
2 UNITED STATES BANKRUPTCY COURT
3 SOUTHERN DISTRICT OF NEW YORK

4 -----X
5 In Re:

6 SEARS HOLDINGS CORPORATION, et. al.

7 Debtor
8 -----X

9 DEPOSITION OF JEFF BUTZ

10 New York, New York

11 Friday, June 21, 2019
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17 Reported by:

18 Rebecca Schaumloffel, CLR, RPR, CCR-NJ

19 Job No: 2019-72625
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June 21, 2019

9:05 a.m.

Deposition of JEFF BUTZ, held at
the offices of WEIL GOTSHAL, 767 Fifth
Avenue, New York, New York 10153 before
Rebecca Schaumlöffel, a Certified Livenote
Reporter, Registered Professional Reporter,
Certified Court Reporter of New Jersey, and
Notary Public of the States of New York, New
Jersey, Delaware, and Pennsylvania.

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11

12
13 ALSO PRESENT:
14

15
16 Chelsea Hanlock, summer associate,
17 Cleary
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1 J. BUTZ

2 JEFF BUTZ, called as a witness, having been
3 first duly sworn by a Notary Public of the
4 States of New York, New Jersey, Pennsylvania,
5 and Delaware, was examined and testified as
6 follows:

7 EXAMINATION BY

09:05AM 8 MR. RUTHERFORD:

09:05AM 9 Q. Mr. Butz, is it?

09:05AM 10 A. Yes.

09:05AM 11 Q. Can you please state your full
09:05AM 12 name?

09:05AM 13 A. Jeffrey A. Butz. Allan Butz.

09:05AM 14 Q. Good morning. Have you ever been
09:05AM 15 deposed before, Mr. Butz?

09:05AM 16 A. Yes.

09:05AM 17 Q. When was the last time?

09:05AM 18 A. Oh, 15 years ago.

09:05AM 19 Q. 15 years ago. Okay.

09:05AM 20 A. Something like that.

09:05AM 21 Q. I'll just run through kind of some
09:05AM 22 refresher rules since it's been awhile since
09:05AM 23 the last time you were deposed.

09:05AM 24 First, you are under oath, so you
09:05AM 25 do need to tell the truth, the whole truth

1 J. BUTZ

09:07AM 2 to that later.

09:07AM 3 What is your position at Sears?

09:07AM 4 A. Senior director of accounting
09:07AM 5 services.

09:07AM 6 Q. And how long have you held that
09:07AM 7 position?

09:07AM 8 A. Five years. Four years.

09:07AM 9 Q. Five years. And how long in total
09:07AM 10 have you been at Sears?

09:07AM 11 A. 30 years.

09:07AM 12 Q. 30 years. And what previous
09:07AM 13 positions have you held?

09:07AM 14 A. Do I need to list them all? It's
09:07AM 15 a lot.

09:07AM 16 Q. Why don't we do the last two prior
09:08AM 17 to your current position.

09:08AM 18 A. Manager of financial planning and
09:08AM 19 analysis for corporate. Marketing controller
09:08AM 20 before that.

09:08AM 21 Q. Okay. And what are your

09:08AM 22 responsibilities as a senior directing

09:08AM 23 accounting -- senior director of accounting

09:08AM 24 services?

09:08AM 25 A. I have seven directors that report

1 J. BUTZ

09:08AM 2 to me. I oversee two primary areas. I have
09:08AM 3 responsibility for running the monthly close
09:08AM 4 process with the general ledger. And then I
09:08AM 5 have all of the, I will say, transactional
09:08AM 6 accounting responsibilities.

09:08AM 7 So I have people in our accounting
09:09AM 8 centers that oversee our offshore Wipro
09:09AM 9 operations of approximately 260 people that
09:09AM 10 handle the input account reconciliations,
09:09AM 11 things related to the monthly close at
09:09AM 12 Transform.

09:09AM 13 Q. And that's the same position you
09:09AM 14 held at Sears?

09:09AM 15 A. Yes.

09:09AM 16 Q. So I take it you assist in the
09:09AM 17 preparation of financial reports?

09:09AM 18 MR. WEAVER: Objection; form of
09:09AM 19 the question.

09:09AM 20 Q. I take it you assist in the
09:09AM 21 preparation of the consolidated balance
09:09AM 22 sheets that are prepared in connection with
09:09AM 23 the company's SEC filings?

09:09AM 24 A. I handle the monthly close. I do
09:09AM 25 not prepare those documents.

1 J. BUTZ

09:21AM 2 what the balance was on -- as of Wednesday
09:21AM 3 morning in the AP system at that point in
09:21AM 4 time. Wednesday, the 6th.

09:21AM 5 Q. And so if we look at -- if you
09:21AM 6 flip the page, the totals -- do you see the
09:21AM 7 totals in those two categories for Sears and
09:21AM 8 Kmart?

09:21AM 9 A. Yes.

09:21AM 10 Q. Do those align with the totals we
09:21AM 11 just looked at in Butz-1? I apologize, I
09:22AM 12 should have told you to keep it open.

09:22AM 13 MR. WEAVER: Can you quote him
09:22AM 14 back the page?

09:22AM 15 MR. RUTHERFORD: Yes. The first
09:22AM 16 is '1331.

09:22AM 17 A. Yes.

09:22AM 18 Q. Okay. So at the end of the month
09:22AM 19 when this process occurs, certain entries are
09:22AM 20 placed in the prepaid inventory account and
09:22AM 21 others are put in the AR account, correct?

09:22AM 22 MR. WEAVER: Objection to form,
09:22AM 23 misstates his testimony.

09:22AM 24 A. Correct.

09:22AM 25 Q. And isn't it true that the

1 J. BUTZ

09:22AM 2 entries, something that's designated as

09:23AM 3 prepaid inventory cannot also exist as AR on

09:23AM 4 one of these accounts, correct?

09:23AM 5 MR. WEAVER: Objection; form of

09:23AM 6 the question.

09:23AM 7 A. Correct.

09:23AM 8 Q. And was this process done before
09:23AM 9 closing?

09:23AM 10 MR. WEAVER: Objection.

09:23AM 11 Q. Just prior to closing, was this
09:23AM 12 process done?

09:23AM 13 MR. WEAVER: Objection.

09:23AM 14 Q. Close of the sale transaction,
09:23AM 15 February 11th?

09:23AM 16 MR. WEAVER: Objection to the
09:23AM 17 "this," if you want know what the
09:23AM 18 objection is.

09:23AM 19 Q. Did the process that we are
09:23AM 20 discussing by which you true up the numbers
09:23AM 21 and pullout the prepaid inventory from the AR
09:23AM 22 schedules and place them on the prepaid
09:23AM 23 inventory, did this process occur just before
09:23AM 24 the closing of the APA?

09:23AM 25 A. The reports were run Wednesday

1 J. BUTZ

09:37AM 2 MR. RUTHERFORD: Okay. Let's
09:37AM 3 take a brief break.

09:37AM 4 MR. WEAVER: Okay.

09:41AM 5 (Whereupon, a recess was held.)

09:41AM 6 BY MR. RUTHERFORD:

09:41AM 7 Q. I have just a few more questions
09:41AM 8 for you. You are familiar with how the
09:41AM 9 company calculated the warrantee receivables
09:41AM 10 prepaid inventory and specified receivables
09:41AM 11 scheduled pre close, correct?

09:41AM 12 A. No.

09:42AM 13 Q. You are not familiar?

09:42AM 14 A. Not warrantee receivables.

09:42AM 15 Q. Not warrantee receivables.

09:42AM 16 MR. WEAVER: One at a time.

09:42AM 17 Q. You are not familiar with how they
09:42AM 18 calculated the warrantee receivables?

09:42AM 19 A. No.

09:42AM 20 Q. Are you familiar with how they
09:42AM 21 calculate the prepaid inventory schedules?

09:42AM 22 A. Yes.

09:42AM 23 Q. Pre close?

09:42AM 24 A. Yes.

09:42AM 25 Q. And you just testified that you

1 J. BUTZ

09:42AM 2 have not seen E&Y's prepaid inventory

09:42AM 3 calculations?

09:42AM 4 A. No.

09:42AM 5 Q. So you are not in a -- you are not

09:42AM 6 in a position to determine whether the two

09:42AM 7 are consistent?

09:42AM 8 A. No.

09:42AM 9 Q. You are familiar with how the

09:42AM 10 specified receivables were calculated pre

09:42AM 11 close, correct?

09:42AM 12 A. A schedule, yes.

09:42AM 13 Q. And you just testified that you

09:42AM 14 haven't seen E&Y's calculation of the

09:42AM 15 specified receivables schedule?

09:42AM 16 A. No.

09:42AM 17 Q. So you are not in a position to

09:42AM 18 determine if the two are consistent?

09:42AM 19 A. Correct.

09:42AM 20

09:42AM 21

09:42AM 22 (Continued on next page to include

09:42AM 23 jurat.)

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1 J. BUTZ

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3 MR. RUTHERFORD: Okay. I think
4 that's all we have.

5 MR. WEAVER: Nothing here.

6 (Whereupon, at 9:43 a.m., the
7 Examination of this Witness was
8 concluded.)
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12 _____
JEFF BUTZ

13 Subscribed and sworn to before me
14 this _____ day of _____ 2019.

15 _____
NOTARY PUBLIC
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E X H I B I T S

EXHIBIT NUMBER	EXHIBIT DESCRIPTION	PAGE
Exhibit 1	SEARS_ENFORCE0001210 through '1396	11
Exhibit 2	SEARS_ENFORCE0001397 through '1416	17

I N D E X

EXAMINATION BY	PAGE
MR. RUTHERFORD	5

INFORMATION AND/OR DOCUMENTS REQUESTED

INFORMATION AND/OR DOCUMENTS PAGE

(NONE)

C E R T I F I C A T E

STATE OF NEW YORK)
 : SS.:
COUNTY OF NASSAU)

I, REBECCA SCHAUMLOFFEL, a Notary
Public for and within the State of New York,
do hereby certify:

That the witness whose examination
is hereinbefore set forth was duly sworn and
that such examination is a true record of the
testimony given by that witness.

I further certify that I am not
related to any of the parties to this action
by blood or by marriage and that I am in no
way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto
set my hand and seal of June, 2019.



REBECCA SCHAUMLOFFEL